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C.I.A.'s Links to Iran Affair Led To Questions on Ability of Gates

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WASHINGTON, March 2 — To many Senators who were trying to decide whether to confirm Robert M. Gates as Director of Central Intelligence, his fundamental problem was that the Iran-contra affair happened on his watch.

As was the case with President Reagan's former chief of staff, Donald T. Regan, it appears that Mr. Gates, whose nomination was withdrawn today by President Reagan, fell victim to questions about his managerial competence.

While Mr. Gates, who is Deputy Director of Central Intelligence, conceded at his confirmation hearings that the Central Intelligence Agency had made significant errors in the Iran matter, his admission apparently was not enough.

Several senators wanted to know why he had not made an effort to end the sale of arms to Iran by the United States, since analysts and others in the C.I.A. thought the policy was a bad idea and had made their views known.

Mr. Gates was head of the C.I.A.'s National Intelligence Council in 1985 when that board sent a memorandum to the White House that favored arms dealings with Iran. The Tower Commission report issued last week, while not specifically critical of Mr. Gates, questioned whether the memo came too close to crossing the line between impartial evaluation of intelligence and advocating policy.

The memo led the National Security Council to plan for dealings with Iran

for the first time, even though the document was rejected as "perverse" by Secretary of State George P. Shultz and "absurd" by Secretary of Defense Caspar W. Weinberger, according to a report on the Iran matter issued by the Senate Intelligence Committee in January.

In addition, the Tower Commission strongly and broadly criticized the C.I.A.'s role in the Iran affair under William A. Casey, who was Director of Central Intelligence at the time.

While it did not criticize Mr. Gates, he was personally involved in many of the questionable activities.

For example, the Tower Commission report said the C.I.A. should have raised more questions about the various intermediaries used to communicate with Iran. The chief intermediary, Manucher Ghorbanifar, repeatedly failed C.I.A. polygraph examinations.

Meetings With North

Mr. Gates told the Senate Intelligence Committee that he took part in some of the meetings with the second Iranian intermediary and others, including Lieut. Col. Oliver L. North, the former N.S.C. aide who managed the Iran program.

The Tower Commission also concluded that Mr. Casey knew that funds from arms sales to Iran might have been diverted to the rebels in Nicaragua, known as the contras, "almost a month before the story broke," but "did not move promptly to raise the matter with the President."

Mr. Gates participated with Mr. Casey, who resigned his intelligence post for health reasons, in many of the meetings at the C.I.A. and the White House on the question of possible diversion of the arms proceeds.

Mr. Gates did ask the C.I.A.'s general counsel to review all aspects of the Iran project. The counsel found "nothing amiss from the C.I.A. standpoint," according to the Senate report.

Several Criticisms

But the Tower report found the C.I.A. lacking in a number of areas, including failure to keep Congress adequately informed, allowing Colonel North to exercise direct operational control over the operation, and failing to review the assumptions presented by the Israelis on which the entire Iran initiative was based.

Mr. Gates's predecessor as Deputy Director of Central Intelligence, John McMahon, was an ardent, vocal opponent of the arms sales and insisted that the agency would not remain involved in the program unless President Reagan signed a secret "finding" authorizing the covert activity.

He ordered the C.I.A.'s general counsel to draft the finding, and Mr. Reagan did sign it in January 1985. Mr. McMahon remained an angry opponent of the arms sales nonetheless and ultimately left the agency last year, although it is not clear why.